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APR 29 1970

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MEMORANDUM FOR THE PRESIDENT

FROM: Henry A. Kissinger *(Signed) HK*

SUBJECT: Trafficking in Cambodia

ON-FILE NSC RELEASE INSTRUCTIONS
APPLY

After reading a recent report alleging that 90% of the income of province chiefs in Southeastern Cambodia comes from supplying the enemy through Sihanoukville, you asked whether or not it would be possible through the discreet use of funds to prevail upon these province chiefs to refrain from supplying the enemy. In response to your question, Director Helms has provided the attached report which assesses the extent of trafficking under Sihanouk, the impact of smuggling under the current Cambodian government, and the feasibility of financial inducements to province chiefs. With regard to Cambodian involvement in supplying the enemy in the past, Director Helms noted that:

- The major items provided to the enemy through Cambodian sources have been rice and arms.
- In order to capitalize on a lucrative trade, to stop a loss of revenues, and to ingratiate itself with the Communists, Sihanouk's government agreed to sell rice to NVA/V C forces. Deliveries were of a magnitude sufficient to limit the smuggling of foodstuffs in border areas to fairly small amounts.
- The flow of arms from Sihanoukville constituted an important source of supply for Communist forces in southern South Vietnam in the 1968-1969 period. Agreements to provide arms were handled at high levels of the Cambodian government and, therefore, province officials had only minor roles.

In considering the impact of smuggling under the present Cambodian government, the report indicates that:

- The surplus rice produced in Communist-controlled areas of Cambodia would probably be more than adequate to supply enemy needs. There is little evidence that the Cambodian government, either national or local, could effectively stop smuggling if the financial inducements were high enough.

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- In order to insure a reliable flow of arms, the enemy would have to control all of Cambodia. However, some arrangements for limited smuggling of arms could probably be worked out by the enemy.

In assessing the feasibility of using financial inducements to persuade province chiefs to refrain from smuggling activities, the report indicates that:

- Province chiefs have little or no control over the rice-producing areas that could satisfy enemy requirements.
- Smuggled arms would not be under the control of the province chiefs and it is unlikely that they could mount effective policing actions.
- Without the ability to directly control province officials, the net effect of any program to buy them off would probably be that they would receive dual compensation from the U. S. and the enemy.

In sum, Director Helms believes that attempts to curtail illicit traffic through bribing province officials would probably be unsuccessful and, in any case, would have only a minor impact on the enemy's capability to obtain foodstuffs and arms.

HAK:JTH:mlc (4-28-70)



CENTRAL INTELLIGENCE AGENCY [TS-HK-20063]

WASHINGTON, D. C. 20505

OFFICE OF THE DIRECTOR

22 April 1970

MEMORANDUM FOR: Dr. Henry A. Kissinger
Assistant to the President for
National Security Affairs

SUBJECT : Arms Trafficking in Cambodia

In response to your request, I have had my associates analyze the allegations and predictions outlined in your 15 April memorandum. Their views are set forth in the attached memorandum, which also comments on the matter of attempting to curtail illicit traffic through bribing provincial officials.

A handwritten signature in cursive script, appearing to read "Dick".

Richard Helms
Director

Attachment

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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence
21 April 1970

INTELLIGENCE MEMORANDUM

Arms Trafficking in Cambodia

Introduction

This memorandum assesses the allegation that the province chiefs in southeastern Cambodia derive (or have derived) about 90 percent of their income from passing arms and other supplies through Sihanoukville to VC/NVA forces and the prediction that province officials will resume this activity once it becomes clear that the Cambodian government cannot control this traffic. The memorandum makes these assessments by analyzing the nature of Cambodian involvement in the resupply of enemy forces in South Vietnam and the likelihood of a resumption of logistic support from Cambodian sources. Finally, the prospects for successfully using financial inducements to prevent a resumption of these activities are examined.

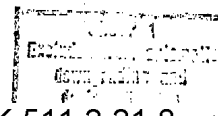
I. Cambodian Involvement

1. Cambodia has been an important source of logistical support for VC/NVA forces since 1966. A variety of goods such as medical supplies, chemicals, and communications equipment have always been procured in Cambodia, either through open purchases in commercial markets or by smuggling.

2. The smuggling of supplies across the Cambodian border has been widespread over the years, and has always been carried on with the connivance of local officials. Although the amounts involved were not large it was undoubtedly a highly lucrative trade. As

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the enemy force in South Vietnam expanded, the supply of the most important goods -- foodstuffs, arms and ammunition -- entered more regularized channels.

3. The enemy's major uses of Cambodia as a source of supplies have related to rice purchased under agreements negotiated between the Cambodian government and VC representatives and arms and ammunition delivered by sea to Sihanoukville and ultimately transshipped to VC/NVA forces.

Foodstuffs

4. Prior to 1966 VC needs for Cambodian rice were small and were satisfied by local smugglers along the border provinces. As VC needs increased, however, rice smuggling assumed larger and more profitable dimensions. In order to cash in on this lucrative trade, (very profitable in terms of hard currency earnings), to stop a loss of revenues, and to ingratiate itself with the Communists, the Cambodian government entered into agreements with the NLF for the sale of rice to the Communists. In recent years the Cambodian government has provided most of the Cambodian rice bought by the Communists. The amounts involved are generally reported to have been between 10,000-20,000 tons a year. These amounts were more than adequate to meet the rice supply needs of the Communist forces in the food-deficit areas along the Cambodian border. Although some private smuggling was observed during 1966-1967, most of this had stopped by 1968. Deliveries of this magnitude were certainly sufficient to limit the smuggling of foodstuffs in border areas to fairly small amounts.

Arms and Ammunition

5. Cambodian complicity in the delivery of arms and ammunition probably began some time in late 1966. We have no way of quantifying the volume of these deliveries in 1966 and 1967. There is adequate evidence, however, to make it clear that the flow of arms from Sihanoukville constituted an important source of supply for Communist forces in southern South Vietnam in the 1968-1969 period.

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6. Information on institutional arrangements and the personalities involved in the delivery of these arms make it clear that they were handled at such high levels of the Cambodian government that officials at the province level played only a small role. There is no doubt that the entire operation was supervised by General Lon Nol acting under the authority of Chief of State Sihanouk. In addition we know that the arms movements were handled separately from normal military aid imports by "special military teams" of the FARK General Staff. The actual deliveries to VC/NVA forces were made under the supervision of military officers (most recently Lt. Col. Les Kossem) in the Office of Special Missions within the Ministry of National Defense.

7. Given the authority of the personnel and organizations involved in these arms deals, the opportunities for province officials to be cut in on arms smuggling activities were perforce limited. In our large volume of clandestine reporting on FARK's Special Aid Operation there are no firm indications that any provincial governors or other local officials were involved. The FARK officers escorting these shipments carried authorization documents issued from the office of the Minister of National Defense. There is no evidence that additional documentation or bribes were required to complete shipments to delivery points on the eastern frontier. Thus the opportunities for provincial or local officials during the past few years would seem to have been limited to whatever small amounts of arms could be diverted from the stocks held by forces deployed in the border areas. We note, for example, that during 1969 when Sihanouk ordered a cessation of arms deliveries to VC/NVA forces that there was no reporting indicating an upsurge in arms smuggling.

II. Future Likelihood of Smuggling

8. We estimate that a complete denial of supplies from Cambodian sources would not of itself render the Communists incapable of carrying on the war. The denial of supplies from Cambodia would hurt but the Communists have already demonstrated that they can move supplies in the required volume through the Laos

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Panhandle. Alternatively, they could develop new water routes to bring supplies in over Cambodian beaches. In any event the probable need to engage in large-scale smuggling would be limited.

Foodstuffs

9. Although the current situation in Cambodia is subject to radical change, the Communists now control -- and, barring outside intervention will continue to control -- enough Cambodian territory to satisfy their food requirements without resort to smuggling. We estimate that the Communists now control territory with a projected production of almost 80,000 tons of rice in the 1969/70 crop year. (See Table) Some of this production normally constitutes a surplus for distribution elsewhere in the country and for export. We estimate, for example, that the Communist-controlled areas of Svay Rieng Province produce some 40,000 tons of rice annually; the population in these controlled areas has an annual rice requirement of only 10,000-20,000 tons. Thus, control of Svay Rieng province alone would give the Communists a rice surplus almost double the amounts procured from Cambodia under the official sales agreements.

10. Even if these estimates and the judgment that the Communists can maintain control were grossly in error we estimate that a substantial volume of Cambodian rice would find its way to Communist hands. In a situation of scarcity the premium price that would be given for rice would attract the venality of all concerned -- local officials, merchants and peasants. In addition there is little evidence to support a judgment that the Cambodian government -- national or local -- could effectively stop smuggling if the financial inducements are high enough.

Arms

11. The procurement of arms from Cambodian sources would present considerably more difficulties than would the procurement of foodstuffs. The major arms repositories are controlled by the Ministry of Defense and, so far, are located outside areas controlled by the

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Communists. Moreover, unless an accommodation is worked out with the present regime a regularized and reliable flow of supplies would require Communist control of all of Cambodia. Lacking this control, the smuggling of arms would be limited to whatever small amounts could be diverted from the eastern border areas or to the amounts that could be brought in over the beaches. Nevertheless, the amounts to be smuggled would be small amounting to a little over 5 tons a day.

12. The willingness of the local population to participate in such a venture is less predictable. For government officials the determinant factor would probably be their assessment of the final resolution of the current Cambodian-Communist dispute and their judgments of the risks of punishment or retaliation from the VC or their Cambodian superiors. To those outside the government the determinants would be their assessment of the chances of detection or the likelihood of successfully bribing the proper officials. On balance, it would appear that basic traits of venality and a facility for accommodating to any given situation would mean that some arrangements for smuggling could be worked out.

III. The Role of Financial Inducements

13. The prospects for successful use of financial inducements to persuade province chiefs to refrain from smuggling activities are limited. Direct access to such officials is difficult to obtain and rarely is there any assurance that an individual at this level will not in turn respond positively to a counter offer made by the VC/NVA. Alternatively, some pressure probably could be applied to certain high-level officials at the Lon Nol government who are in policy making positions, but the effectiveness of such pressure would probably be diminished by existing personal loyalties and the government's traditional inability to control corruption among its officials.

14. Assuming access to province officials, the question of their willingness to engage in or refrain from smuggling may be academic. Other than goods

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Estimated Milled Rice Production in Communist Controlled Areas of Cambodia*

| <u>Province</u> | <u>Total Production 1969/70 (1,000 Metric Tons)</u> | <u>Estimated Communist- Controlled Provincial Areas (Percent)</u> | <u>Estimated Communist- Controlled Provincial Riceland (Percent)</u> | <u>Production in Communist- Controlled Areas, 1969/70 (1,000 Metric Tons)</u> |
|---------------------------|---|---|--|---|
| Ratanakiri | 20.9 | 20 | 10 | 2.1 |
| Mondolkiri | 5.0 | 10 | 10 | .5 |
| Kratie | 21.5 | 3 | 1 | .2 |
| Kompong Cham | 172.4 | 5 | 3 | 5.2 |
| Prey Veng | 221.0 | 5 | 5 | 11.0 |
| Svay Rieng | 170.9 | 25 | 25 | 42.7 |
| Kandal | 99.2 | 3 | 1 | 1.0 |
| Takeo | 165.8 | 3 | 5 | 8.2 |
| Kampot | 159.3 | 2 | 4 | 6.4 |
| Total | <u>1,044.0</u> | | | <u>77.3</u> |
| Total for Cambodia | 1,980.0 | | | |

*Reflects general situation as of mid-April 1970.

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likely to be purchased in local markets, province chiefs for the most part would be out of the game. In the present situation they have little or no control over the rice producing areas that could satisfy enemy requirements. The arms to be smuggled would not be under their control and it is unlikely that they would have the forces required to mount effective policing actions against smugglers. In short their role in resumed smuggling activities would probably be as peripheral as it was when supplies were obtained through the cooperation of the highest officials of the Cambodian government. Finally, it should be noted that without the ability to exercise direct and full control of province officials, the net effect of any program to buy them off would probably be that they would receive dual compensation from the US and the VC.

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